



MICHAEL STEPHEN DIO
8/4/2021

CORPORATE GOVERNANCE AND FINANCE DEPARTMENT

In the matter of:

For: VIOLATION OF SEC MEMORANDUM CIRCULAR NO. 18, SERIES OF 2019 ON THE PROHIBITION ON UNFAIR DEBT COLLECTION PRACTICES OF FINANCING COMPANIES (FC) AND LENDING COMPANIES (LC)

KINGABC LENDING CORPORATION
(Company Reg. No. CS201951228)
Respondent.

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TO:

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Greetings:

Please take notice that on 2 August 2021, a Resolution, copy hereto attached, was issued in the above-entitled case, the original of which is now on file with the Commission.

Please acknowledge receipt hereof.

2 August 2021. Pasay City.


RACHEL ESTHER J. GUMTANG-REMALANTE
Director

CC:
(By electronic mail)

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CORPORATE GOVERNANCE AND FINANCE DEPARTMENT

CGFD Order No. 55
Series of 2021

In the matter of:

**For: VIOLATION OF SEC
MEMORANDUM CIRCULAR NO. 18,
SERIES OF 2019 ON THE
PROHIBITION ON UNFAIR DEBT
COLLECTION PRACTICES OF
FINANCING COMPANIES (FC) AND
LENDING COMPANIES (LC)**

KINGABC LENDING CORPORATION
(Company Reg. No. CS201951228)
Respondent.

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RESOLUTION

This resolves the Motion for Reconsideration dated 29 June 2021 filed by KingABC Lending Corporation (the "*Respondent*"), through counsel, of CGFD Order No. 44, Series of 2021 dated 7 June 2021 issued by the Corporate Governance and Finance Department (the "*Department*" or the "*CGFD*") revoking Respondent's Certificate of Authority to Operate as a Lending Company (the "*CA*") for violations of SEC Memorandum Circular No. 18, series of 2019, on the Prohibition on Unfair Debt Collection Practices of Financing Companies (FC) and Lending Companies (LC) (the "*SEC MC 18*").

On 7 June 2021, the CGFD issued CGFD Order No. 44, Series of 2021 (the "*Assailed Order*") revoking Respondent's CA for its commission of fifteen (15) violations of SEC MC 18.

On 29 June 2021, Respondent filed a Motion for Reconsideration (the "*MR*") on the Assailed Order, arguing that the evidence on record is insufficient to justify the revocation of its CA.

Respondent's MR is bereft of merit.

In the MR, Respondent maintains that the fifteen (15) complaints mentioned in the Assailed Order merely contained allegations without proof. Respondent adds that the volume of complaints, by itself, is not sufficient to justify the revocation of its CA, since SEC MC 18 requires proof of those allegations.

While it is true that the volume of complaints received by this Commission alone will not be enough to justify the revocation of a lending company's CA, such situation is not the case here. Contrary to Respondent's assertions, the evidence on record more than adequately supports the revocation of its CA.

In complaints involving violations of SEC MC 18, the CGFD required complainants to accomplish the prescribed Complaint Form, narrating, in their own words and in a language they are comfortable with, how the company violated the said circular. Complainants are also required to sign the Complaint Form and attach proof of their identity therewith. Together with the Complaint Form, complainants are instructed to submit all the relevant proof that will substantiate their claims. More often than not, complainants attach screenshots of messages that they receive from the company, showing abusive and unfair messages in an attempt to collect payments for their debts.

The Complaint Form and the evidence submitted by the complainants are forwarded to the company to give it an opportunity to explain its side. If, after a careful examination of the company's response in light of the complainant's allegations and proof submitted, the company is found to have indeed committed violations of SEC MC 18, it will be informed of such findings through an assessment letter and will be required to pay the appropriate penalties.

Here, the complaints had undergone the standard process as described above - they were studied, forwarded to the Respondent for its answer, and carefully evaluated as to the merits of the complainants' allegations vis-à-vis Respondent's answer.

It may be well to point out to the Respondent that a case of violation of SEC MC 18 is administrative in nature. And in administrative cases, the basic rule is that the quantum of evidence required is substantial evidence.

More than a mere scintilla of evidence, substantial evidence means such relevant evidence as a reasonable mind might accept as adequate to support a conclusion, even if other minds equally reasonable might conceivably opine otherwise. The requirement is satisfied where there is reasonable ground to believe that the respondent is guilty of the act or omission complained of, even if the evidence might not be overwhelming.¹

In the present case, the CGFD gathered a sizable amount of evidence against the Respondent. The CGFD received statements from the complainants via duly completed Complaint Forms, with the screenshots of Respondent's collection agents' messages, harassing said complainants, attached thereto. A review of all the screenshots of messages submitted by the fifteen (15) complainants, including the fifty-three (53) others who also filed complaints against the Respondent reveal commonalities and recurring patterns, including the substance of the threats and sentence construction of the said messages.

¹ Diaz v. The Office of the Ombudsman, G.R. No. 203217, 2 July 2018

To a reasonable mind, all these pieces of evidence prove Respondent committed fifteen (15) violations of SEC MC 18. Thus, it was only apt for the CGFD to find Respondent guilty of violating SEC MC 18 and impose the penalty of revocation of its license.

Respondent also forgets that in several instances, it admitted that its agents committed what it defined in its own words “*unlawful and unauthorized*” and “*unrighteous misconduct*” towards its borrowers. In fact, in those instances, Respondent submitted investigation reports informing this Department of its action against its erring employees, which was either suspension or termination. To refresh its mind, Respondent may refer to its replies to this Department’s show-cause letters (SCLs) in connection with the complaints of Ms. Debbie Andes, Mr. Janno Danga, Ms. Jenna Mendoza, Ms. Crismalyn Hubahib, Mr. Brylle Estrada, Ms. Kathlene May Gandia, Ms. Michelle Diane Samson, and Mr. Ramel Laminero.

Quite the opposite, if there is anything in this case that is unsupported by evidence, it is no other than Respondent’s insistence that it is compliant with SEC MC 18.

In its attempt to prove its stance, Respondent avers that it has taken upon itself to place constant reminders on its office premises on proper and acceptable conduct. To support this, the Respondent attached to the MR photographs of its office premises where signs showing reminders such as “*No Bad Words*” and “*Strictly No Foul & Abusive Language*” are printed on paper and posted on the walls. In addition, Respondent explains that it has been attempting to comply with SEC MC 18 while uncounseled, and thus, it could not distinguish between the submission of a letter-reply and a verified answer which was required in response to this Department’s Formal Charge.² Respondent also defended the substance of its Standard Operating Procedure of Collection (the “*SOP Collection*”).

Respondent’s assertions fail to convince.

What the Respondent more clearly demonstrates here, instead, is its lack of understanding, or rather, its utter lack of regard as to the nature of the business of lending.

In its recent decision in a case involving the revocation of a financing company’s CA for violations of the Financing Company Act, the Commission *En Banc* held that the Commission cannot overemphasize the fact that **the business of financing and lending companies is imbued with public interest which requires all covered entities to observe the highest degree of competence, integrity and moral uprightness as this is necessary to promote trust and confidence by the public in the industry.**³

The above-cited ruling, juxtaposed with the Respondent’s feeble excuse that it was uncounseled and the mere “*No Bad Words*” reminders posted on its premises, fall miserably below the standard required of lending companies. We further note that such reminders are likewise suspect as those could have just recently been installed for purposes of the MR.

That Respondent is undergoing *bona fide reorganization* is simply a hollow and unsubstantiated claim, and thus, deserves scant consideration. If this were true, Respondent could have easily attached supporting documents that will demonstrate the steps that it has undertaken thus far towards its supposed reorganization. Moreover, as thoroughly discussed in the Assailed Order, the surge in the complaints forwarded by this Department, in addition to the complaints

² Dated 29 March 2021

³ Robocash Finance Corp. v. Atty. Rachel Esther J. Gumtang-Remalante, in her capacity as Officer-in-Charge of the Corporate Governance and Finance Department, SEC En Banc Case No. 02-20-472, 22 April 2021

directly received by the Respondent, should have apprised it of the inadequacy of its current SOP Collection and should have already prompted it to make the necessary adjustments in its processes and policies.

As to its declaration that it has initiated criminal proceedings against third persons who have been harassing its clients, this will not exonerate Respondent from its liability under SEC MC 18, which is administrative in nature. This is considering that it was already found, after a careful review and evaluation of the complaints and the evidence submitted, that it committed fifteen (15) violations of SEC MC 18.

In this regard, Section 5 of SEC MC 18 clearly provides that a third violation of the said circular warrants the suspension or revocation of the erring company's CA, depending on the circumstances and gravity of the offense.

At this juncture, attention is drawn to Respondent's rather lackadaisical attitude in addressing the fifty-three (53) other complaints forwarded by this Department.

In the cases listed in the table below, Respondent replied to this Department's SCLs committing to conduct an internal investigation and impose the appropriate penalty upon its erring employee. To date, however, the Respondent has not endeavored to submit a report or even an update to this Department showing the results of its purported internal investigations.

Table 1. Complaints to which Respondent committed to conduct an internal investigation

	Name of Complainant	Date of Complaint	Date of Show Cause Letter	Date of Respondent's Reply
1.	Danica Ros	31 Oct 2020	4 Nov 2020	16 Nov 2020
2.	Ma. Angelic Flores	23 Oct 2020	5 Nov 2020	16 Nov 2020
3.	Ditas Agoy-agoy	23 Oct 2020	6 Nov 2020	19 Nov 2020
4.	Claudine Vertucio	14 Feb 2020	10 Nov 2020	30 Nov 2020
5.	Irisheila Roman	18 Nov 2020	20 Nov 2020	11 Dec 2020
6.	Lorello Lacap	19 Nov 2020	7 Dec 2020	5 Jan 2021
7.	Rizalina Tambis	25 Nov 2020	7 Dec 2020	21 Jan 2021
8.	Sally Cunanan	26 Nov 2020	9 Dec 2020	21 Jan 2021
9.	Julie Martinez	11 Dec 2020	21 Dec 2020	11 Feb 2021
10.	Rhea Quintana	4 Feb 2020	23 Dec 2020	9 Apr 2021
11.	Alexandra Castillo	21 Jan 2021	17 Feb 2021	Undated
12.	Lorena Mae Velasco	15 Feb 2021	17 Mar 2021	26 Mar 2021
13.	Jobelle Lescano	16 Feb 2021	16 Mar 2021	26 Mar 2021

14.	Aaron John Talugco	5 Apr 2021	27 Apr 2021	31 May 2021
15.	Jonathan Igno	12 Apr 2021	7 May 2021	31 May 2021

In the following cases, Respondent submitted replies containing general statements that it strictly adheres to the provisions of SEC MC 18. It further mentioned that its agent will contact the complainants directly to address their concerns. However, Respondent neither bothered to explain to this Department how it specifically addressed each complainant's concerns nor offered proof that it has actually done so. Respondent likewise failed to sufficiently explain why it should not be penalized for violations of SEC MC 18.

Table 2. Complaints to which Respondent committed to contact the complainants directly

	Name of Complainant	Date of Complaint	Date of Show Cause Letter	Date of Respondent's Reply
1.	Cherrylyn Ganir	29 Feb 2020	22 Dec 2020	11 Apr 2021
2.	Gabrielle Sara	20 Feb 2020	22 Dec 2020	12 Apr 2021
3.	Roger Laurente, Jr.	3 Jan 2020	23 Dec 2020	11 Apr 2021
4.	Ian Valeza Aranel	21 Jan 2020	28 Dec 2020	11 Apr 2021
5.	Judy Ann Macailao	Undated	23 Dec 2020	11 Apr 2021
6.	Kissy Liane Binas	18 Nov 2020	29 Mar 2021	11 Apr 2021
7.	Akemi Daigen	15 Jan 2020	21 Dec 2020	11 Apr 2021
8.	Jovelyn Tumangday	13 Nov 2020	12 Jan 2021	11 Apr 2021
9.	Mary Rose Esperanzate	9 Nov 2020	12 Jan 2021	11 Apr 2021
10.	Mary Dominique Rivera	27 Dec 2020	19 Jan 2021	11 Apr 2021
11.	Aloha Dela Cruz	7 Dec 2020	18 Jan 2021	11 Apr 2021
12.	Sheena Marie Apryl Leano	17 Feb 2021	16 Mar 2021	12 Apr 2021
13.	Alfred Anton Bercasio	17 Feb 2021	17 Mar 2021	12 Apr 2021

In the cases below, Respondent's replies merely contained assurances that it complies with SEC MC 18. Respondent added that it annexed copies of employment contracts and the SOP Collection. Upon a review of the annexes, however, no copies of employment contracts were included. Instead, what it attached are copies of its Non-Disclosure Agreement (NDA) labeled as *Employment Contract* as well as the SOP Collection.

Table 3. Complaints to which Respondent merely asserted that it complies with SEC MC 18

	Name	Date of Complaint	Date of Show Cause Letters	Date of Respondent's Reply
1.	Melanie Manlangit	6 Jan 2021	17 Feb 2021	1 June 2021
2.	Christine Jan Lorca	28 Jan 2021	18 Feb 2021	20 May 2021
3.	Judea Mallari	Undated	22 Feb 2021	1 June 2021
4.	Roanna Marie Paralejas	10 Feb 2021	3 Mar 2021	1 June 2021
5.	Christine Marie Monacillo	17 Feb 2021	22 Mar 2021	1 June 2021
6.	Emily Osorio	23 Feb 2021	23 Mar 2021	1 June 2021
7.	Jesserina Gumabon	28 Feb 2021	23 Mar 2021	1 June 2021
8.	Madalin Frances Almonte	1 Mar 2021	25 Mar 2021	1 June 2021
9.	Maricel Zepeda	24 Feb 2021	25 Mar 2021	1 June 2021
10.	Mae Ann Delos Santos	1 Mar 2021	25 Mar 2021	1 June 2021
11.	Chekee Rose Roranes	7 Mar 2021	30 Mar 2021	1 June 2021
12.	Teresa Kathy Antang	10 Mar 2021	30 Mar 2021	1 June 2021
13.	Onofre Ladera, Jr.	3 Mar 2021	30 Mar 2021	1 June 2021
14.	Conny Glenda Aquino	20 Mar 2021	13 Apr 2021	1 June 2021
15.	Joshua Beato	27 Mar 2021	13 Apr 2021	1 June 2021
16.	Pauline Marie Eliab	11 Mar 2021	12 Apr 2021	1 June 2021
17.	Marlon Arintoc	18 Mar 2021	19 Apr 2021	1 June 2021
18.	Ana Deserie Bulacja	18 Mar 2021	12 Apr 2021	1 June 2021
19.	Ma. Christina Nazareth	22 Mar 2021	21 Apr 2021	1 June 2021
20.	Sarah Alaba	13 Jan 2021	27 Apr 2021	20 May 2021
21.	Charl Mae Quimson	11 Apr 2021	27 Apr 2021	1 June 2021
22.	Lutgardo Ramos	1 Apr 2021	4 May 2021	20 May 2021
23.	Rezie Balisalisa	12 Apr 2021	7 May 2021	20 May 2021
24.	Jesus Nazareno Corpuz	26 Apr 2021	7 May 2021	20 May 2021

As regards the complaint of Ms. Edlhiz Margaret Maxino, Respondent has not filed any reply.

With regard to the fifty-three (53) complaints discussed above, it goes without saying that this Department likewise finds Respondent's perfunctory explanations unmeritorious.

This Department reiterates that the business of lending is imbued with public interest. As such, the Commission is mandated to see to it that only lending companies that are serious in their compliance with the laws, rules, and regulations are allowed to operate.

All told, there is no cogent reason for this Department to overturn the Assailed Order.

WHEREFORE, in view of the foregoing, Respondent KingABC Lending Corporation's Motion for Reconsideration is hereby **DENIED** for lack of merit. CGFD Order No. 44, Series of 2021 is **AFFIRMED** *in toto*.

SO ORDERED.

02 August 2021. Pasay City, Philippines.


ATTY. RACHEL ESTHER J. GUMTANG-REMALANTE
Director